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PUBLIC UTILITIES COMMISSION

March 8, 2007

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 05-0315 -- Application of Hawaii Electric Light Company, Inc. for Approval of Rate Increase and Revised Rate Schedules and Rules.

On March 7, 2007 Division of Consumer Advocacy submitted its Responses to HELCO's Third Submission of Information Requests. Unfortunately during the reproduction process the following pages: 1-18, 1-21, 2-21, 3-43, 4-11, and 4-13 were inadvertently not copied. The Consumer Advocate confirmed that the original document filed with the Commission contained these pages. As a result, the Consumer Advocate is hereby providing the appropriate number of copies for the missing pages. Please insert these missing pages into your copies of Division of Consumer Advocacy Responses to HELCO's Third Submission of Information Requests.

The Consumer Advocate apologizes for the inconvenience. Thank you for your cooperation in this matter.

Sincerely yours,

Cheryl S Kikuta

Cheryl S. Kikuta
Utilities Administrator

CSK:tt
Enclosure

cc: Dean Matsuura
Warren H.W. Lee
Thomas W. Williams, Jr. Esq./Peter Y. Kikuta, Esq.
Keiichi Ikeda

expense projections because of such known anomalies (See HELCO-WP-510, page 8). In such an environment, it would be inappropriate to simply assume that recorded actual non-labor expenses recorded in 2006 are indicative of normal activity and expense levels without determining the need to make the same types of normalizing adjustments to the 2006 results. The major swings in actual spending that have occurred, relative to the 2006 Adjusted Budget, can be observed in the response to CA-SIR-8, Attachment 2, where actual 2006 project spending is well above budget for 2006 and for 2007, as shown in "variance" column of Attachment 2.

c. If he did not, please fully explain why he did not do so.

RESPONSE: See the response to part (b) of this information request.

d. If he did, please provide any analysis done by Mr Brosch.

RESPONSE: No analysis was required. Mr. Brosch agrees with HELCO that actual Production non-labor expenses, that are recorded or projected in any particular period, are unlikely to be indicative of normalized ongoing overhaul activity and expense levels. Attachment 2 to CA-SIR-18 clearly shows that actual 2006 non-labor project spending is well above anticipated levels for 2006 or budget year 2007.

HELCO/CA-IR-115 **Ref: CA-T-1, page 41, CA-101, Schedule C-5, Miscellaneous Materials Adjustment.**

In Adjustment C-5, Mr. Brosch reduces Production O&M Non-Labor Material expense in the amount of $382,000. He accomplished the adjustment by taking a three-year average of historical actual 2004-2006 (corrected) material expense. He then subtracted HELCO's 2006 test year Production Material expense and further subtracted certain reversals of materials cost noted by HELCO (see CA-101, Schedule C-3). The net result is a reduction of $382,000. However, this computation appears to be inconsistent with the methodology used by Mr. Brosch in making his adjustment to Production O&M Labor expense, namely a reduction of $185,000 (See CA-101, Schedule C-4). Specifically, Mr. Brosch subtracted the actual 2006 Production Labor expense of $8,172,000 (see CA-SIR-5) from HELCO's 2006 test year Production Labor estimate of $9,282,000 (see HELCO-531), and further subtracted certain reversals of materials cost noted by HELCO (see CA-101, Schedule-C-3). Mr. Brosch then went further. His computation took into account an $532,800 expense for outside temporary services (EE503) that had not been budgeted (CA-SIR-14, Att. 2). This had the effect of reducing Mr. Brosch's Production O&M Labor adjustment in the amount of $532,800. (See CA-101, Schedule C-4).

a. In making Production O&M Non-Labor Materials Adjustment C-5, did Mr. Brosch review all of the actual 2006 Production O&M Non-Labor expenses and compare them to the 2006 test year Production O&M Non-Labor expenses (as modified to take into account certain reversals of materials costs noted by HELCO)?

RESPONSE: No.

b. If he did not, please fully explain why he did not do so.

RESPONSE: Please see the response to HELCO/CA-IR-113b, above.

c. If he did, please fully explain why he did not give credit for those instances where actual non-labor expenses exceeded 2006 adjusted test year estimates?

RESPONSE: Not applicable.

HELCO/CA-IR-214 **Ref: CA-T-2, page 21, lines 7-10.**

CA-T-2, page 21, lines 7-10, states "The Company's diesel generators were dispatched slightly differently than in my model, however, in the aggregate, the total generation from the diesel generators is approximately the same in both models." Please explain how the total generation from the diesel generators is approximately the same in both models and provide copies of all workpapers, analyses, and source documents that support this information.

RESPONSE: Please see the attached updated exhibits and workpapers.

HELCO/CA-IR-325 **Ref: CA-T-3 at 100.**

In CA-T-3, page 100, Mr. Carver recommends that "100% of the land rezoning costs be excluded from the installed cost of CT-4 and CT-5." However, the rezoning costs are a separate component of rate base, and are not part of the installed cost of CT-4 and CT-5.

a. Since the rezoning process has been completed, what is the basis for the Consumer Advocate's position that the rezoning costs should be excluded from rate base? Please fully explain the response, provide the basis for the response, and copies of any materials relied on in support of the response.

RESPONSE: Please see pages 99-100 of CA-T-3. In addition, see the response to HELCO/CA-IR-314.

b. Is it the Consumer Advocate's position that the rezoning costs are part of the ST-7 project costs, and should accrue AFUDC (to the extent ultimately allowed for the ST-7 project) as part of that project? Please fully explain the response, provide the basis for the response, and copies of any materials relied on in support of the response.

    i. If the answer to subpart b above is "no", please fully explain the response provide the basis for the response, and copies of any materials relied on in support of the response.

RESPONSE: To the extent HELCO believes that the rezoning costs are reasonably attributable to ST-7, the Company could have included those costs in the ST-7 project and capitalized AFUDC during periods of progressive physical construction activity.

HELCO/CA-IR-411 **Reference: CA-T-4.**

Which of the companies in Mr. Parcell's sample groups have rates set using future test years and which of those companies have rates set using historical test years?

RESPONSE: This information is not available.

HELCO/CA-IR-413 **Reference: CA-T-4.**

Does Mr. Parcell's recommended cost of common equity assume the maintenance of the Company's fuel adjustment mechanism (ECAC)? If not, please state Mr. Parcell's recommended ROE both with and without the rider ECAC.

RESPONSE: Mr. Parcell's recommended cost of common equity reflects the present perceived risks of HELCO, based upon investors' expectations. To the extent that some investors believe the ECAC will be maintained, this is reflected, and vice versa.